



***Eligibility and Enrollment for Small  
Business Health Options Program (SHOP)  
Participant Guide  
Version 1.0***

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## 1 INTRODUCTION

In the Eligibility and Enrollment for the Small Business Health Options Program (SHOP) course, we take an in-depth look at eligibility and the verification process for small businesses and their employees to purchase Covered California Health Insurance Plans through the SHOP. The SHOP is Covered California's program designed specifically for small businesses. Enrollment timelines, employer and employee eligibility, the availability of tax credits for qualifying employers, and the appeals process and will also be covered.

### 1.1 LEARNING OBJECTIVES

At the end of this course, you will be able to explain:

- ✓ How and when small businesses and their employees can apply for coverage through the SHOP
- ✓ Who is eligible to purchase Covered California Health Plans through the SHOP and how their eligibility is verified
- ✓ Who may be eligible for tax credits through Covered California and how their eligibility is verified
- ✓ How inconsistencies in employer or employee information are resolved
- ✓ The SHOP enrollment eligibility appeals process

## 2 LESSON 1: OVERVIEW OF THE SHOP ELIGIBILITY AND ENROLLMENT

Covered California's SHOP gives small businesses the opportunity to offer their employees a choice of competing health plans from private health insurance companies. The SHOP certifies health plans, allows small businesses to shop and compare premiums and benefits, enrolls eligible employees in health insurance coverage, and consolidates employer billing. For small businesses and their employees that wish to participate in Covered California, there are three levels of eligibility:

- Eligibility for employers to offer Covered California's health insurance plans to their employees through the SHOP.
- Eligibility for employees to purchase Covered California's health insurance plans through the SHOP.
- Eligibility for qualified employers to receive federal tax credits only available through Covered California's SHOP beginning in 2014.

### 2.1 EMPLOYER ELIGIBILITY FOR THE SHOP

The first step in the employer eligibility process begins with employers submitting the Small Business Health Options Program Application for Employers. Employers can apply in the way that works best for them, including:

- Online at [www.CoveredCA.com](http://www.CoveredCA.com) (CalHEERS)
- Through a Covered California Certified Insurance Agent (Certified Insurance Agent)
- By phone via Covered California's SHOP service center
- By U.S. Postal Mail
- By Fax
- In person at one of our many locations throughout the State, which all will have reasonable accommodations for those with disabilities, as defined by the Americans with Disabilities Act

#### 2.1.1 THE SHOP APPLICATION FOR EMPLOYERS

The first step in the employer eligibility process begins with the employer submitting the Small Business Health Options Program Application for Employers. Employers can complete the application themselves or work with a Certified Insurance Agent.

Understanding the employer application and the information required is the key to submitting a complete and successful application.

Employers Will Need:
Employer name, as reported to the Employer Development Department (EDD).
Federal Employer Identification Number (FEIN)
State Employer Identification Number (SEIN)
A copy of their California Business License
DE-9C reconciled by the employer
Total number of employees
Total number of full-time employees
Total number of part-time employees working 20 to 29 hours per week (if offering part-time employee coverage)
Employee roster, including: address, hire date, date of birth, social security number or tax identification number
Dependent information (if offering dependent coverage), including date of birth to determine age of the dependent.

### Good to Know

Employees eligible to apply for coverage through the SHOP apply using the Small Business Health Options Program Application for Employees. This application collects all information necessary to determine employee eligibility, their choice of a Covered California Health Plan and to complete enrollment. Employees and their eligible dependents (if the employer elects to offer dependent coverage) may submit applications online, with the assistance of a Certified Insurance Agent, by calling Covered California's SHOP Service Center, by U.S. Mail or in-person.

## 2.1.2 ELIGIBILITY SYSTEM

The California Healthcare Eligibility, Enrollment and Retention System (CalHEERS) is the single, eligibility and enrollment system for all products and programs available through Covered California. CalHEERS is set up to make enrollment easy for employers, their employees and the Certified Insurance Agents who help them. For applications submitted online, the SHOP Service Center will request and inspect the employer's California business license and the employer's reconciled DE-9C. Other documentation may be requested depending on the type of business (Sole proprietor, Partnership, Limited Partnership etc.).

## 2.2 WHEN TO APPLY FOR ELIGIBILITY

Once the SHOP opens on October 1, 2013, eligible small businesses can begin enrolling for a January 1, 2014 effective date. Small businesses also have the option to enroll throughout the year according to their policy's renewal date or whenever they choose. This enrollment flexibility is unique to small businesses and not available in Covered California's individual marketplace.

Upon employer enrollment, the employer coverage and premiums are guaranteed for 12 months from the employer's coverage effective date. Employees added during the plan year (after the employer's coverage effective date) are guaranteed the employer coverage and premiums until the end of the *employer's* plan year.

## 2.3 APPLICATION PROCESSING TIMES

Covered California's goal is to connect small businesses with health insurance as quickly and easily as possible. The processing timeframe varies by the way the application is submitted and whether or not it is complete or has inconsistencies.

Timeframe (for complete applications)	Application Channel
Real-time, within minutes	On-line at <a href="http://www.coveredca.com">www.coveredca.com</a>
10 calendar days	By phone, in person, by mail or fax

## 3 LESSON 2: ELIGIBILITY TO PURCHASE COVERED CALIFORNIA HEALTH INSURANCE PLANS THROUGH THE SHOP

Small businesses eligible to purchase health insurance through the SHOP are those that:

- Have 1 to 50 eligible employees. *An eligible employee works an average of 30 hours per week based on a month of work. Employers may also choose to offer coverage to their part-time employees who work between 20 and 29 per week.*
- Elect to offer, at a minimum, all full-time employees coverage in a Covered California Health Insurance Plan through the SHOP;
- Contribute a minimum of 50% of the lowest cost employee-only premium in the metal tier the employer selects; and
- Have the majority of and their employees employed in California.

### 3.1 DETERMINING ELIGIBILITY TO PURCHASE COVERED CALIFORNIA HEALTH INSURANCE PLANS THROUGH THE SHOP

#### 3.1.1 ELIGIBLE EMPLOYEES

California defines an eligible employee as one who works an average of 30 hours per week, measured on a monthly basis. Employers may elect to offer coverage to their part-time employees who work at least 20 hours but no more than 29 hours per week. Part-time employees count in the total employ count, which cannot exceed 50.

Additionally, eligible employees must be permanent and actively engaged in the business of the employer or becomes an eligible employee once the offer of coverage is made by the employer.

Sole proprietors with employees are eligible to purchase coverage through the SHOP. However, small businesses that operate as sole proprietorships but have no employees are

not eligible.<sup>1</sup> These sole proprietors may be eligible to buy through the individual marketplace operated by Covered California.

Beginning in 2015, Covered California's SHOP will be available to employers with 1 to 100 eligible employees, for coverage effective January 1, 2016.

### 3.1.2 OFFERING COVERAGE

Small businesses that choose to offer coverage through the SHOP must:

Offer coverage to all full time employees (employees working an average of 30 hours per week.)<sup>2</sup>

Meet a minimum employee participation rate of 70%

Contribute a minimum of 50% of the cost of the least expensive plan in their selected metal tier toward their employees' eligible premium.

Although Federal regulation does not require employee choice prior to January 1, 2015, California has elected to implement employee choice beginning January 1, 2014. Employee choice permits employers to determine a level of coverage from one of the four metal tiers (e.g. Platinum, Gold, Silver and Bronze) and the amount they want to contribute toward their employee's premium. Under this employer "defined contribution" arrangement employees will then be able to select from any health plan offered in the metal tier the employer selected.

### 3.1.3 REQUIRED EMPLOYER REPORTING

Employers are required to report new hires or terminations prior to the effective date of the change.

Employers can report these changes via CalHEERS or by calling the SHOP Service Center at 877.453.9198.

### 3.1.4 EMPLOYEES EMPLOYED IN CALIFORNIA

Small employer's wanting to enroll in the SHOP must have the majority of their employees working in California. For the 2014 plan year, no more than 49% of their eligible employees can reside outside of California.

## 3.2 VERIFYING ELIGIBILITY TO PURCHASE COVERED CALIFORNIA HEALTH INSURANCE PLANS THROUGH THE SHOP

Covered California's SHOP Service Center is responsible for verifying employer and employee eligibility to purchase health insurance through the SHOP. The process includes:

- Verifying that each individual applicant identified by the employer is an employee to whom the employer has offered coverage. This verification is based on the employer's reconciled DE9C, as required by the California Employment Development Department;
- Accepting the information attested to within the application unless the information is inconsistent with the employer-provided information; and

<sup>1</sup> California Health and Safety Code 1357.500(k)(2) and 45 CFR §155.710 applying the definition of employer specified in 29 CFR § 2510.3-3.

<sup>2</sup> 45 CFR § 155.710(b)(2)

- Collecting only the minimum information necessary for verification of eligibility in the SHOP.

If the information submitted on the Covered California Small Business Health Options Program Application for Employers or the SHOP Application for Employees does not meet the eligibility requirements, or is inconsistent with the information reported on the DE-9C, the SHOP Service Center will<sup>3</sup>:

- Notify the employer or employee of the ineligibility or inconsistency;
- Make a reasonable effort to identify and address the causes of the inconsistency;
- Provide the employer or employee with a period of 30 days from the date of notification to present satisfactory documents to support the application or resolve the inconsistency. Documents may be submitted on-line, by fax or by US Mail.

After 30 days of the notification, if the SHOP has not received satisfactory documents, the SHOP is required to notify the employer or employee that their eligibility has been denied. The SHOP sends a notice of approval or denial of eligibility for every employer that requests eligibility to purchase coverage through the SHOP. Employers have the right to appeal denial decisions.

### 3.3 PAYMENT FUNCTIONALITY PROCESS FOR THE SHOP

It is important to note that in order for coverage to start, payment must be received in full by the Covered California Health Plan that the small business selects. Unlike the Individual market, Covered California is a payment aggregator for the SHOP market. For the SHOP, Covered California will invoice and collect both initial and monthly premiums from employers and provide payment to the appropriate health plan on behalf of the small business. Initially, only paper checks will be accepted from employers. Beginning in early 2014, additional payment functionality is scheduled to be available, at which time Electronic Funds Transfer (EFT)/Automated Clearing House (ACH) payments will be accepted from employers. When fully implemented, SHOP will accept the following payment options from employers:

- EFT/ACH transactions
- Checks
- Money Orders
- Cashier's Checks

Because health plans typically do not accept credit cards in the small employer market, and in an effort to minimize costs to Covered California, credit cards will not be a payment option for SHOP.

## 4 LESSON 3: QUALIFYING FOR SMALL BUSINESS TAX CREDITS THROUGH THE SHOP

The Patient Protection and Affordable Care Act includes tax credits to qualified small businesses. These tax credits are designed to help make it more affordable for small businesses to offer health insurance to their employees. Beginning in 2014, small businesses may qualify for a maximum tax credit of 50% of their eligible employee premium contribution.

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<sup>3</sup> 45 CFR §155.715(d)(1)-(2)



Tax credits are also available for qualifying nonprofit or tax-exempt employers. These employers must meet the same criteria as other small businesses; however, for these entities, the maximum tax credit will be 35 percent of the employer share of premiums.

## 4.1 QUALIFYING FOR SMALL BUSINESS FOR TAX CREDITS

Small businesses may qualify for tax credits if they:

- Have fewer than 25 full-time equivalent employees for the tax year (example: two part-time workers count as one full-time-equivalent employee)
- Pay employees a combined average wage that does not exceed \$50,000 per year
- Contribute at least 50 percent toward their employees' premium costs—this contribution requirement also applies to add-on coverage such as vision, dental, and other limited-scope coverage

Taxable employers with fewer than 10 full-time equivalent employees with wages averaging less than \$25,000 per year that contribute a minimum of 50% toward their employee's premium may qualify for the maximum tax credit.

When the SHOP opens, a tax credit calculator will be available on [www.CoveredCA.com](http://www.CoveredCA.com). Small businesses can use the calculator to determine if they qualify for a tax credit and estimate their tax credit amounts. Small businesses are encouraged to visit the IRS website or contact their tax professional for additional information on available tax credits and their specific situation.

## 4.2 EMPLOYER AND EMPLOYEE APPEALS PROCESS

Employers and employees who either receive a denial of eligibility or do not receive their notification of eligibility from Covered California within one to two weeks of Covered California's receipt of their complete and correct application with all requested documentation, have the right to appeal.<sup>4</sup> Appeals must occur within 90 days of the date of the notice of denial<sup>5</sup>. Once a valid appeal is submitted to Covered California a decision must be provided via a written notice within 90 days.<sup>6</sup> Appeals will be adjudicated independently and must consider any evidence submitted by the appellant.<sup>7</sup> If the employer or employee is determined eligible through the appeals process the decision is effective retroactive to the date of the incorrect eligibility determination.<sup>8</sup> Appeals must be submitted in writing and can be initiated by contacting the SHOP Service Center.

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<sup>4</sup> Federal Register Notice Volume 78, Number 14 (January 22, 2013), p4594, proposed 45 CFR §155.740(c)/(d)

<sup>5</sup> Federal Register Notice Volume 78, Number 14 (January 22, 2013), p4594, proposed 45 CFR §155.740(f)(1)

<sup>6</sup> Federal Register Notice Volume 78, Number 14 (January 22, 2013), p4594, proposed 45 CFR §155.740(m)

<sup>7</sup> Federal Register Notice Volume 78, Number 14 (January 22, 2013), p4594, proposed 45 CFR §155.740(k)/(l)

<sup>8</sup> Federal Register Notice Volume 78, Number 14 (January 22, 2013), p4594, proposed 45 CFR §155.740(l)(3)

#### 4.2.1 COMPLAINTS OR CONCERNS

Covered California is committed to supporting small businesses, and invites all employers and employees to call the Covered California's SHOP Service Center with any complaints or concerns.

There are a number of other California state resources available to support consumers.

**The Office of Patient Advocate:** This state agency provides a great overview of the health care industry, with a glossary of terms, patient rights, and a step-by-step guide that shows consumers how to deal with a problem or file a complaint against their health care insurance company. This agency does not file complaints against health insurance providers, but it can tell consumers what state agencies can help. The agency's website is [www.opa.ca.gov](http://www.opa.ca.gov). The agency's phone number is 1.866.466.8900.

**California Department of Managed Health Care (DMHC):** This state agency oversees HMOs and some PPOs. Consumers can contact the DMHC if they've filed a complaint against their health insurance company because it denied coverage based on lack of medical necessity or a treatment being considered experimental or investigational in nature. This agency administers what's called an "Independent Medical Review." If their situation qualifies, an independent physician will review the health insurance company's decision and has the power to overturn that decision. The IMR is a free service available to anyone in California enrolled in a managed care health plan. This agency has the power to file a "standard complaint" against a health insurance company about a coverage denial and can overturn the company's decision. The agency's web site is [www.dmhc.ca.gov](http://www.dmhc.ca.gov). The agency's phone number is 1.888.466.2219.

**California Department of Insurance (CDI):** This state agency handles complaints against PPOs and it functions just like the Department of Managed Health Care. Consumers can file a complaint with the CDI against their PPO if coverage was denied based on lack of medical necessity or if a treatment being considered experimental or investigational in nature. This agency administers what's called an "Independent Medical Review" (IMR). If their situation qualifies, an independent physician will review the health insurance company's decision and has the power to overturn that decision. The IMR is a free service available to anyone in California enrolled in a managed care health plan. This agency has the power to file a "standard complaint" against a health insurance company about a coverage denial and can overturn the company's decision. The agency's web site is [www.insurance.ca.gov](http://www.insurance.ca.gov). The agency's phone number is 1.800.927.4357.